

**Mobile Telecommunications Company K.S.C.
Kuwait**

**Interim Consolidated Financial Information (Unaudited)
30 September 2008**

C o n t e n t s

	Page
Review Report	1
Condensed Consolidated Balance Sheet (Unaudited)	2
Condensed Consolidated Statement of Income (Unaudited)	3
Condensed Consolidated Statement of Changes in Equity (Unaudited)	4
Condensed Consolidated Statement of Cash Flows (Unaudited)	5
Notes to the Interim Consolidated Financial Information (Unaudited)	6 - 11

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

**Mobile Telecommunications Company K.S.C.
Kuwait**

Report on Review of Interim Consolidated Financial Information

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Mobile Telecommunications Company K.S.C. (the Parent Company) and its subsidiaries (together called "the Group") as at 30 September 2008 and the related condensed consolidated statement of income, statement of changes in equity and statement of cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company have occurred during the period ended 30 September 2008 that might have had a material effect on the business of the Group or on its financial position.



Bader A. Al Wazzan
Licence No. 62A
PricewaterhouseCoopers



Nasser Abdullah Al Muqait
Licence No.9A
Al-Ahli Bureau

Condensed Consolidated Balance Sheet as at 30 September 2008 (Unaudited)

	Note	Unaudited 30 September 2008	Audited 31 December 2007	Unaudited 30 September 2007
Assets				
Current assets				
Cash and bank balances		170,799	148,226	173,920
Short-term deposits		870,661	113,037	110,129
Trade and other receivables		296,856	246,276	308,178
Inventories		25,052	22,047	19,825
Loan to an associate	4	76,860	-	-
Investments – at fair value through profit or loss		21,570	23,002	24,124
		<u>1,461,798</u>	<u>552,588</u>	<u>636,176</u>
Non current assets				
Deferred tax assets		80,680	64,724	59,254
Other financial assets		61	6,850	6,809
Investments – available-for-sale		149,528	179,468	180,428
Loan to an associate		166,688	170,875	174,781
Investment in associates		242,742	259,640	279,939
Property and equipment		1,695,658	1,495,602	1,278,810
Intangible assets		1,562,753	1,637,255	1,512,279
		<u>3,898,110</u>	<u>3,814,414</u>	<u>3,492,300</u>
Total Assets		<u>5,359,908</u>	<u>4,367,002</u>	<u>4,128,476</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables	5	484,341	554,754	455,967
Due to banks	6	561,115	453,747	432,825
Due to minority interest holders		-	18,509	18,936
		<u>1,045,456</u>	<u>1,027,010</u>	<u>907,728</u>
Non current liabilities				
Due to banks	6	1,632,814	1,531,512	1,518,445
Deferred tax liabilities		36,282	31,763	12,109
Other non current liabilities	7	31,015	28,411	45,521
		<u>1,700,111</u>	<u>1,591,686</u>	<u>1,576,075</u>
Total liabilities		<u>2,745,567</u>	<u>2,618,696</u>	<u>2,483,803</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	8	426,824	189,398	189,306
Share premium		1,690,772	624,465	624,465
Treasury shares	10	(362,208)	(15,576)	(15,576)
Legal reserve		94,699	94,699	63,091
Voluntary reserve		63,091	63,091	63,091
Foreign currency translation reserve		(67,906)	(26,014)	(32,783)
Treasury shares reserve		1,967	-	-
Equity issue transaction cost of associate		(1,643)	-	-
Investment fair valuation reserve		33,251	67,704	75,391
Share based compensation reserve		17,305	12,222	7,551
Hedge reserve		(3,718)	-	-
Retained earnings		544,726	571,938	518,207
		<u>2,437,160</u>	<u>1,581,927</u>	<u>1,492,743</u>
Minority interest		<u>177,181</u>	<u>166,379</u>	<u>151,930</u>
Total equity		<u>2,614,341</u>	<u>1,748,306</u>	<u>1,644,673</u>
Total Liabilities and Equity		<u>5,359,908</u>	<u>4,367,002</u>	<u>4,128,476</u>

The accompanying notes are an integral part of this interim consolidated financial information.

This interim consolidated financial information was approved and authorized for issue by the Board of Directors on 22 October 2008.

 Asaad Ahmed Al Banwan
Chairman

 Dr. Saad Hamad Al Barrak
Managing Director - Deputy Chairman

**Mobile Telecommunications Company K.S.C.
Kuwait**

Condensed Consolidated Statement of Income – nine months ended 30 September 2008 (Unaudited)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2008	2007	2008	2007
		KD'000		KD'000	
Revenue		503,547	424,545	1,439,349	1,224,084
Cost of sales		(114,206)	(101,761)	(327,606)	(281,064)
Gross profit		389,341	322,784	1,111,743	943,020
Distribution, marketing & operating expenses		(148,701)	(107,920)	(424,361)	(331,765)
General and administrative expenses		(34,860)	(34,940)	(130,442)	(114,841)
Depreciation and amortization		(72,210)	(54,169)	(212,304)	(170,863)
Provision for doubtful debts		(1,945)	(94)	(2,873)	(968)
Operating profit		131,625	125,661	341,763	324,583
Interest income		6,499	4,256	19,623	13,876
Investment (loss)/ income	11	(1,506)	2,429	7,222	19,794
Income from sale of shares in a subsidiary	12	(50)	-	26,543	-
Share of (loss)/profit of associates		(4,431)	2,806	(5,187)	2,924
Other income		13,489	3,966	21,872	7,363
Finance cost		(32,847)	(32,435)	(93,798)	(88,421)
(Loss)/ gain on currency revaluation		(6,294)	(5,269)	(16,573)	1,511
Board of Directors' remuneration		(7)	(7)	(21)	(21)
Contribution to Kuwait Foundation for Advancement of Sciences		(905)	(884)	(2,430)	(2,415)
National Labour Support Tax and Zakat		(2,368)	(1,372)	(5,434)	(4,008)
Profit for the period before income tax		103,205	99,151	293,580	275,186
Income tax expense		(10,761)	(11,644)	(45,974)	(24,840)
Profit for the period		92,444	87,507	247,606	250,346
Attributable to:					
Shareholders of the Parent Company		87,194	86,175	235,164	235,085
Minority interest		5,250	1,332	12,442	15,261
		<u>92,444</u>	<u>87,507</u>	<u>247,606</u>	<u>250,346</u>
Earnings per share	13				
Basic – Fils		24	26	65	71
Diluted – Fils		24	26	65	71

The accompanying notes are an integral part of this interim consolidated financial information.

**Mobile Telecommunications Company K.S.C.
Kuwait**

Condensed Consolidated Statement of Changes in Equity – nine months ended 30 September 2008 (Unaudited)

	Equity attributable to Parent Company's Shareholders											Minority interest	Total	
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Treasury shares reserve	Equity issue transaction cost of associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve			Retained earnings
	KD '000													
Balance at 1 January 2008	189,398	624,465	(15,576)	94,699	63,091	(26,014)	-	-	67,704	12,222	-	571,938	166,379	1,748,306
Net exchange differences	-	-	-	-	-	(41,892)	-	-	-	-	-	-	(6,035)	(47,927)
Equity issue transaction cost of associate	-	-	-	-	-	-	(1,643)	-	-	-	-	-	-	(1,643)
Realised gain on available-for-sale investments (net)	-	-	-	-	-	-	-	(3,736)	-	-	-	-	-	(3,736)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	(30,717)	-	-	-	-	-	(30,717)
Loss from changes in fair value – cash flow hedge (note 7)	-	-	-	-	-	-	-	-	-	(3,718)	-	-	-	(3,718)
Share based compensation	-	-	-	-	-	-	-	-	5,083	-	-	-	-	5,083
Profit on sale of treasury shares	-	-	-	-	-	-	1,967	-	-	-	-	-	-	1,967
Net income/ (expense) recognised directly in equity	-	-	-	-	-	(41,892)	1,967	(1,643)	(34,453)	5,083	(3,718)	-	(6,035)	(80,691)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	235,164	12,442	247,606
Total recognised income/ (loss) for the period	-	-	-	-	-	(41,892)	1,967	(1,643)	(34,453)	5,083	(3,718)	235,164	6,407	166,915
Issue of share capital	142,174	1,066,307	-	-	-	-	-	-	-	-	-	-	-	1,208,481
Purchase of treasury shares	-	-	(346,632)	-	-	-	-	-	-	-	-	-	-	(346,632)
Sale to minority	-	-	-	-	-	-	-	-	-	-	-	-	9,019	9,019
Purchase of minority	-	-	-	-	-	-	-	-	-	-	-	-	(1,998)	(1,998)
Exercise of share options	311	-	-	-	-	-	-	-	-	-	-	-	-	311
Issue of bonus shares (2007)	94,941	-	-	-	-	-	-	-	-	-	-	(94,941)	-	-
Cash dividends (2007)	-	-	-	-	-	-	-	-	-	-	-	(167,435)	(2,626)	(170,061)
Balance at 30 September 2008	<u>426,824</u>	<u>1,690,772</u>	<u>(362,208)</u>	<u>94,699</u>	<u>63,091</u>	<u>(67,906)</u>	<u>1,967</u>	<u>(1,643)</u>	<u>33,251</u>	<u>17,305</u>	<u>(3,718)</u>	<u>544,726</u>	<u>177,181</u>	<u>2,614,341</u>
Balance at 1 January 2007 – as previously reported	126,182	624,465	(15,576)	63,091	63,091	(24,352)	-	-	41,778	5,736	-	480,367	122,500	1,487,282
Adjustments to provisional values	-	-	-	-	-	-	-	-	-	-	-	(10,194)	16,739	6,545
Exchange differences	-	-	-	-	-	26	-	-	-	-	-	(118)	-	(92)
Balance at 1 January 2007 – as restated	<u>126,182</u>	<u>624,465</u>	<u>(15,576)</u>	<u>63,091</u>	<u>63,091</u>	<u>(24,326)</u>	<u>-</u>	<u>-</u>	<u>41,778</u>	<u>5,736</u>	<u>-</u>	<u>470,055</u>	<u>139,239</u>	<u>1,493,735</u>
Net exchange differences	-	-	-	-	-	(8,457)	-	-	-	-	-	-	(1,004)	(9,461)
Realised gain on available-for-sale investments (net)	-	-	-	-	-	-	-	-	(9,672)	-	-	-	-	(9,672)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	-	43,285	-	-	-	-	43,285
Share based compensation	-	-	-	-	-	-	-	-	-	1,815	-	-	-	1,815
Net income/ (expense) recognised directly in equity	-	-	-	-	-	(8,457)	-	-	33,613	1,815	-	-	(1,004)	25,967
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	235,085	15,261	250,346
Total recognised income/ (loss) for the period	-	-	-	-	-	(8,457)	-	-	33,613	1,815	-	235,085	14,257	276,313
Capital contribution	-	-	-	-	-	-	-	-	-	-	-	-	1,597	1,597
Adjustment to minority interest share	-	-	-	-	-	-	-	-	-	-	-	-	(452)	(452)
Share of put option liability – Zambia	-	-	-	-	-	-	-	-	-	-	-	-	71	71
Exercise of share options	33	-	-	-	-	-	-	-	-	-	-	(11)	-	22
Issue of bonus shares (2006)	63,091	-	-	-	-	-	-	-	-	-	-	(63,091)	-	-
Cash dividends (2006)	-	-	-	-	-	-	-	-	-	-	-	(123,831)	(2,782)	(126,613)
Balance at 30 September 2007	<u>189,306</u>	<u>624,465</u>	<u>(15,576)</u>	<u>63,091</u>	<u>63,091</u>	<u>(32,783)</u>	<u>-</u>	<u>-</u>	<u>75,391</u>	<u>7,551</u>	<u>-</u>	<u>518,207</u>	<u>151,930</u>	<u>1,644,673</u>

The accompanying notes are an integral part of this interim consolidated financial information.

Condensed Consolidated Statement of Cash Flows – nine months ended 30 September 2008 (Unaudited)

	Nine months ended 30 September	
	2008	2007
	<u>KD'000</u>	
Cash flows from operating activities		
Profit for the period before income tax	293,580	275,186
Adjustments for:		
Depreciation and amortization	212,304	170,863
Interest income	(19,623)	(13,876)
Investment income	(7,222)	(19,794)
Income from sale of shares in a subsidiary	(26,543)	-
Share of loss/ (profit) of associates	5,187	(2,924)
Loss on disposal of property and equipment	8	72
Finance cost	93,797	88,421
Loss/ (gain) from currency revaluation	16,573	(1,511)
Operating profit before working capital changes	568,061	496,437
Increase in trade and other receivables	(66,512)	(120,766)
Increase in inventories	(4,199)	(5,567)
Decrease in trade and other payables	(31,283)	(27,777)
Cash generated from operations	466,067	342,327
Paid to Kuwait Foundation for Advancement of Sciences	(3,004)	-
National Labour Support Tax & Zakat	(5,414)	(4,320)
Board of Directors' remuneration	(28)	(28)
Income tax paid	(38,175)	(24,991)
<i>Net cash from operating activities</i>	<u>419,446</u>	<u>312,988</u>
Cash flows from investing activities		
Investment in associate	-	(269,304)
Purchase of investments	(1,779)	(466)
Proceeds from sale of investments	13,644	5,704
Acquisition of minority interest	(4,338)	-
Sale of shares in a subsidiary	49,904	-
Acquisition of subsidiaries	-	(12,250)
Acquisition of property and equipment (net)	(439,238)	(352,755)
Acquisition of intangible assets	(4,237)	(55,031)
Interest received	23,184	35,180
<i>Net cash used in investing activities</i>	<u>(362,860)</u>	<u>(648,922)</u>
Cash flows from financing activities		
Capital contribution – issue of share capital	1,194,225	-
Capital contribution – employees stock option	311	22
Capital contribution of the minority shareholders of the Bahraini subsidiary	-	1,558
Proceeds from bank borrowings (net)	208,669	569,432
Loan to an associate	(76,980)	(174,781)
Purchase of treasury shares	(334,951)	-
Sale of treasury shares	4,539	-
Dividends paid to Parent Company's shareholders	(168,304)	(123,318)
Dividends paid to minority shareholders of subsidiaries	(983)	(2,891)
Finance cost	(97,830)	(110,201)
<i>Net cash from financing activities</i>	<u>728,696</u>	<u>159,821</u>
Net increase/ (decrease) in cash and cash equivalents	785,282	(176,113)
Effect of foreign currency translation	(5,085)	(14,160)
Cash and cash equivalents at beginning of period	261,263	474,322
Cash and cash equivalents at end of period (Note 3)	<u>1,041,460</u>	<u>284,049</u>

The accompanying notes are an integral part of this interim consolidated financial information.

1. Incorporation and activities

Mobile Telecommunications Company KSC (the Parent Company) is a Kuwaiti shareholding company incorporated in 1983 in accordance with the Law of Commercial Companies of 1960. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Parent Company is at P.O Box 22244, 13083 Safat, State of Kuwait.

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 21 other countries (31 December 2007 - Kuwait and 20 other countries; 30 September 2007 - Kuwait and 19 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

In March 2008, a joint stock company Saudi Mobile Telecommunications Company (SMTC) with a share capital of SAR 14 billion, was formed in Kingdom of Saudi Arabia to hold the Group's mobile telecommunication licence in that country. The Parent Company now holds 25% of SMTC's voting shares amounting to SAR 3.5 billion. This is after the mandatory initial public offering for SAR 7 billion in February 2008 which was fully subscribed to. SMTC commenced commercial operation in August 2008.

2. Basis of preparation

This interim consolidated financial information is prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2007, except for the accounting policy on 'Derivative financial instruments and hedging activities' as described in Note 2.1 below.

This interim consolidated financial information does not contain all of the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2008. For further information, refer to the consolidated financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2007.

2.1 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivative as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

Notes to the Interim Consolidated Financial Information - 30 September 2008 (Unaudited)

The fair value of the derivative liability is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

3. Cash and bank balances

Cash and bank balances include the following cash and cash equivalents:

	<u>Unaudited</u> <u>30 September</u> <u>2008</u>	<u>Audited</u> <u>31 December</u> <u>2007</u>	<u>Unaudited</u> <u>30 September</u> <u>2007</u> <u>KD '000</u>
Cash on hand and at banks	170,799	148,226	173,920
Short-term deposits maturing within three months	870,661	113,037	110,129
Cash and bank balances	<u>1,041,460</u>	<u>261,263</u>	<u>284,049</u>

4. Loan to an associate

This represents an interest free shareholder loan of SAR 1.082 billion (approximately KD 77 million) to SMTC that is repayable on demand.

5. Trade and other payables

This includes dividend of KD 6,304,664 (31 December 2007-KD 8,616,000; 30 September 2007-KD 5,788,000) payable to the shareholders of the Parent Company.

6. Due to banks

During the quarter, the Group obtained a short term loan of USD 200 million at an interest rate of 85 basis points over one month London Inter Bank Offer Rate (LIBOR) from a foreign bank repayable in October 2008.

Principal financial covenants include:

- consolidated total net borrowings not to exceed four times annualized consolidated EBITDA for the period
- the ratio of annualized consolidated EBITDA to annualized consolidated net finance charge payable not to be less than 3:1

During the quarter, the Group repaid short term loans of KD 50 million and KD 60 million obtained in March 2008 from local Kuwaiti banks at an interest rate of 125 basis points and 140 basis points respectively over the Central Bank of Kuwait Discount Rate (CBDR).

7. Other non-current liabilities

This includes 'Derivative liability' of KD 3,718,000 resulting from the fair valuation of interest rate swaps. During the quarter the Group entered into Interest Rate Swap (IRS) contracts with banks for an aggregate notional amount of USD 4 billion to hedge against the floating interest rate risk on its borrowing of a corresponding amount. This is classified as a cash flow hedge and the effective portion of the changes in fair value of the derivative liability has been taken to equity under hedge reserve account.

8. Share Capital

The authorized share capital as of 30 September 2008 is 4,280,306,722 (31 December 2007 - 1,895,655,826; 30 September 2007 - 1,895,655,826) shares of 100 fils each.

The issued and fully paid up share capital as of 30 September 2008 consists of 4,268,235,804 shares of 100 fils each (31 December 2007 - 1,893,979,581 shares of 100 fils each; 30 September 2007 - 1,893,056,331 shares of 100 fils each).

Notes to the Interim Consolidated Financial Information - 30 September 2008 (Unaudited)

Rights issue

In the annual general meeting of shareholders held in March 2008, the shareholders of the Parent Company approved the issue of 1,421,741,870 shares of 100 fils each, by way of a rights issue, at a premium of 750 fils per share to the shareholders registered in the shareholders' register as on 10 March 2008. The rights issue opened for subscription on 17 August 2008 and closed on 18 September 2008. 1,404,971,815 shares were fully subscribed and paid up and the balance 16,770,054 shares were acquired by the Parent Company as treasury shares based on the approval from Kuwait Stock Exchange.

9. Dividend

The annual general meeting of shareholders held in March 2008 approved distribution of cash dividend of 90 fils per share and bonus shares in the ratio of 50 shares for every 100 shares for the year ended 31 December 2007 (31 December 2006: cash dividend of 100 fils per share and bonus shares in the ratio of 50 shares for every 100 shares).

10. Treasury shares

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No. 10 of 1987 and No. 11 of 1988 and are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	<u>30 September</u>	<u>31 December</u>	<u>30 September</u>
	<u>2008</u>	<u>2007</u>	<u>2007</u>
Number of shares	278,294,149	35,269,169	35,269,169
Percentage of issued shares	6.52%	1.86%	1.86%
Market value (KD '000)	406,309	134,728	151,657
Cost (KD '000)	362,208	15,576	15,576

11. Investment income

	<u>(Unaudited)</u>		<u>(Unaudited)</u>	
	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>30 September</u>		<u>30 September</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>KD'000</u>		<u>KD'000</u>	
(Loss)/ gains from investments "at fair value through profit or loss"	(1,542)	765	(1,721)	5,524
Realised (loss)/ gains from investments 'available -for-sale'	(427)	580	3,054	9,494
Dividend income	463	1,084	5,889	4,776
	<u>(1,506)</u>	<u>2,429</u>	<u>7,222</u>	<u>19,794</u>

12. Income from sale of shares in a subsidiary

This represents gain on sale of 20% of the Group's shareholding in its subsidiary, Celtel Zambia Plc for US\$ 186 million (approximately KD 49.8 million). The Group currently owns 78.88% in this subsidiary.

Notes to the Interim Consolidated Financial Information - 30 September 2008 (Unaudited)

13. Earnings per share

Basic earnings per share based on the weighted average number of shares outstanding during the period are as follows:

	(Unaudited)		(Unaudited)	
	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	KD'000		KD'000	
Net profit for the period attributable to shareholders	87,194	86,175	235,164	235,085
	Shares	Shares	Shares	Shares
Weighted average number of issued and paid-up shares	3,967,413,171	3,380,217,346	3,942,614,445	3,380,217,346
Less: Weighted average number of treasury shares	(360,717,257)	(52,903,754)	(337,792,464)	(52,903,754)
Weighted average shares	3,606,695,914	3,327,313,592	3,604,821,981	3,327,313,592
Dilutive potential shares	14,101,730	6,006,336	15,048,437	6,006,336
Adjusted weighted average shares	3,620,797,644	3,333,319,928	3,619,870,418	3,333,319,928
	Fils	Fils	Fils	Fils
Earnings per share – Basic	24	26	65	71
Earnings per share – Diluted	24	26	65	71

Basic and diluted earnings per share from operations reported for the three and nine months ended 30 September 2007 before retroactive adjustment relating to issue of bonus and rights shares were as follows:

	(Unaudited)	
	Three months ended 30 September 2007	Nine months ended 30 September 2007
	Fils	
Earnings per share – Basic	46	127
Earnings per share – Diluted	46	126

14. Segmental information

The Parent Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its main operations in Kuwait, the Parent Company also operates through its foreign subsidiaries in Jordan, Bahrain, Lebanon, Sudan and Sub-Saharan Africa. This forms the basis of the geographical segments.

	30 September 2008 (Unaudited)							Total
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	Others	
	KD '000							
Segment revenues	288,194	97,165	44,459	13,449	172,147	823,935	-	1,439,349
Net profit	132,952	24,795	5,981	2,442	45,779	48,462	(25,247)	235,164
Segment assets	2,695,182	170,227	62,817	6,781	369,482	2,051,143	924,335	6,279,967
Consolidation adjustment								(920,059)
Consolidated assets								5,359,908
Segment liabilities	258,024	74,618	30,632	3,999	247,638	927,220	1,422,822	2,964,953
Consolidation adjustment								(219,386)
Consolidated liabilities								2,745,567
Net assets								2,614,341
Capital expenditure incurred during the period	15,391	6,058	6,213	14	89,674	316,161	9,964	443,475
Depreciation and amortisation	18,338	12,279	3,672	8	10,478	160,077	7,452	212,304

Segmental information (Contd....)

	30 September 2007 (Unaudited)							
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	Others	Total
	KD '000							
Segment revenues	267,430	103,651	29,828	13,069	169,163	640,943	-	1,224,084
Net profit	129,233	26,843	3,563	2,500	54,219	31,923	(13,196)	235,085
Segment assets	1,772,212	175,329	57,022	5,084	254,593	1,592,548	1,117,639	4,974,427
Consolidation adjustment								(845,951)
Consolidated assets								4,128,476
Segment liabilities	279,469	79,133	36,371	3,136	189,311	1,083,154	1,041,455	2,712,029
Consolidation adjustment								(228,226)
Consolidated liabilities								2,483,803
Net assets								1,644,673
Capital expenditure incurred during the period	23,897	4,399	2,838	10	24,114	352,528	-	407,786
Depreciation and amortisation	17,085	14,398	3,654	6	8,966	114,605	12,149	170,863

15. Related party transactions

The principal transactions with related parties on terms approved by management are as follows:

Transactions

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	KD'000		KD'000	
Management fee (included in other income)	3,018	1,220	8,000	3,454

Balances

	Unaudited	Audited	Unaudited
	30 September 2008	31 December 2007	30 September 2007
	KD '000		
Trade and other receivables	38,023	72,660	15,504
Trade and other payables	3,986	43,251	51,846

Key management compensation

	Unaudited	Audited	Unaudited
	30 September 2008	31 December 2007	30 September 2007
	KD '000		
Salaries and other short term employee benefits	3,951	3,243	2,363
Post employment benefits	498	277	166
Share based payments	2,542	3,243	908

Notes to the Interim Consolidated Financial Information - 30 September 2008 (Unaudited)

16. Commitments and contingencies

	<u>Unaudited</u> <u>30 September</u> <u>2008</u>	<u>Audited</u> <u>31 December</u> <u>2007</u>	<u>Unaudited</u> <u>30 September</u> <u>2007</u> <u>KD '000</u>
Capital commitments	308,049	489,249	284,519
Capital commitments - share of associates	147,872	82,899	1,509
Uncalled share capital of investee companies	395	7,558	743
Letters of credit	53,913	5,288	19,509
Letters of guarantee	533,041	184,485	179,808

Jordan Mobile Telecommunications Services Co. JSC is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 422,000 (31 December 2007 - KD 425,000; 30 September 2007 - KD 908,000). Legal proceedings have been initiated by and against some of the other subsidiaries in a number of jurisdictions. On the basis of information currently available, and having taken counsel with legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position or the consolidated operations of the Group.

The Parent Company is contingently liable for a claim filed by the Ministry of Communications (MoC) seeking a fixed payment of KD 1 per month for each prepaid line. In April 2006 the Commercial Civil court issued a verdict in favour of MoC, but the Parent Company won an appeal against the verdict in September 2007. Pending the outcome of the appeal filed by MoC in the Supreme Court, the Parent Company's management is of the opinion that the above claim will not materially affect the Group's financial statements.

Under several local license agreements, certain subsidiaries are committed to build local GSM networks reaching specified local coverage at agreed rates.

17. Comparative figures

Certain comparative amounts have been reclassified to conform to the current period presentation, but with no effect on net profit or equity.